

174876 - Joint Motion SA 1
174877 - Settlement Agreement

C. DUKES SCOTT
EXECUTIVE DIRECTOR

P.O. Box 11263
Columbia, S.C. 29211



Phone: (803) 737-0800
Fax: (803) 737-0801

DAN F. ARNETT
CHIEF OF STAFF

C.7

July 20, 2005

VIA HAND DELIVERY

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Application of Haig Point Utility Company, Inc. for Approval of an
Adjustment in Rates and Charges for Water and Sewer Services
Docket No. 2005-34-W/S

Dear Mr. Terreni:

Enclosed for filing please find the original and twenty five (25) copies each of the Settlement Agreement and Joint Motion Requesting Approval of Settlement Agreement in the above-referenced matter. Please date stamp one copy and return it to me via our courier.

We have served same on all parties of record and enclose a Certificate of Service to that effect.

Thank you very much.

Very truly yours,

Wendy B. Cartledge

Wendy B. Cartledge

Enclosures

cc: G. Trenholm Walker, Esquire (w/enclosures)
John F. Beach, Esquire (w/enclosures)
Laura J. Evans, Esquire (w/enclosures)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2005-34-W/S

IN RE:

Application of Haig Point Utility)
 Company, Inc. for Approval of an)
 Adjustment in Rates and Charges)
 For Water and Sewer Services)
 _____)

SETTLEMENT AGREEMENT

This Settlement Agreement is made by and among the Office of Regulatory Staff of South Carolina ("ORS"), Haig Point Club and Community Association, Inc. ("HPCCA"), Haig Point Utility Company, Inc. ("HPUC") (hereinafter collectively referred to as the "Parties" or sometimes individually as a "Party.").

WHEREAS, on February 24, 2005, HPUC filed an Application for Approval of an Adjustment in Rates and Charges for Water and Sewer Services ("Application") with the Public Service Commission of South Carolina ("Commission");

WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-captioned docket and there are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions, most recently on July 12, 2005, to determine whether a settlement of this proceeding would be in their best interests;

WHEREAS, following those discussions the Parties have each determined that their interests and the public interest would be best served by settling the above-captioned case under the terms and conditions set forth below:

1. The Parties agree that an increase in water and sewer rates is necessary. HPUC has not applied for an increase in rates in the 17 years since its initial rate filing was approved in 1988. The current rates do not enable HPUC to cover its costs of providing service and earn a fair return on its investment. The Parties agree and stipulate that the statement of proposed rates attached hereto and made a part hereof as Exhibit 1 are fair and reasonable and allows HPUC to continue to provide its customers with adequate water and wastewater service. The proposed rates also promote the conservation of water resources.

2. The Parties further stipulate and agree that the use of the complete system analysis to develop the proposed rates is a fair and equitable method for the purposes of this proceeding and this settlement. The complete system pro forma water billing and sewer billing analysis at the proposed rates is attached hereto and made a part hereof as Exhibit 2.

3. HPUC agrees to follow the recommendations of ORS witness Dawn M. Hipp outlined in her direct testimony. HPUC agrees, among other things, to increase its performance bonds in the amount of \$350,000 for water and \$350,000 for sewer. HPUC shall maintain accurate records of consumer service complaints and resolution of any complaints. HPUC agrees to make rates, rules regulations, maps and plans available for public inspection within its service territory. HPUC agrees to include language on customer bills concerning the customer's right to file complaints with the Commission

and HPUC agrees to report all DHEC violations and alleged violations to the Commission.

4. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission Order issued approving this Settlement Agreement and the terms and conditions contained herein.

5. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

6. HPUC agrees that it will not file an application for additional rate relief for at least twenty four (24) months from July 18, 2005. HPUC agrees that in the event it sells all or part of the Utility during this twenty four (24) month period, it will specifically bind the new owner to this restriction as part of the sale.

7. This agreement shall be interpreted according to South Carolina law.

8. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This

document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

WE AGREE:

Representing and binding the Office of Regulatory Staff:

Wendy B. Cartledge July 20, 2005

Florence P. Belser, Esquire
Shannon B. Hudson, Esquire
Wendy B. Cartledge, Esquire
Office of Regulatory Staff
1441 Main Street, Suite 300
Columbia, SC 29201
Phone: (803) 737-0863
Fax: (803) 737-0800
Email: wcartle@regstaff.sc.gov

WE AGREE:

Representing and binding the Haig Point Club and Community Association, Inc.:

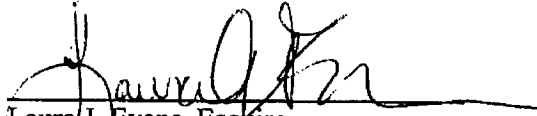
John F. Beach

John F. Beach, Esquire
Ellis Lawhorne & Sims, P.A.
1501 Main Street, 5th Floor
Columbia, SC 29202
Phone: (803) 343-1269
Fax: (803) 779-4749
Email: jbeach@ellislawhorne.com

July 20, 2005

WE AGREE:

Representing and binding the Haig Point Utility Company, Inc.

A handwritten signature in black ink, appearing to read 'Laura J. Evans', written over a horizontal line.

Laura J. Evans, Esquire
Pratt-Thomas Epting Walker
16 Charlotte Street
Charleston, SC 29403
Phone: (843) 727-2226
Fax: (843) 805-6531

EXHIBIT 1

EXHIBIT 1

HAIG POINT UTILITY, INC. **STATEMENT OF PROPOSED RATES-SETTLEMENT**

RESIDENTIAL:

WATER:

Tapping Fees & 3/4 Meter box:	\$500.00
Base quarterly charge:	\$45.00
Consumption charge (per 1000 gallons):	
0 to 22,500 gallons per quarter :	\$2.00
Over 22,500 gallons:	\$2.00

SEWER:

Tapping Fees & service lateral:	\$500.00
Base quarterly charge:	\$80.00
Volumetric charge (per 1000 gallons):	
0 to 22,500 gallons per quarter:	\$0.96
Over 22,500 gallons:	\$0.96

IRRIGATION:

Tapping Fees & 3/4 Meter box:	\$500.00
Consumption charge (per 1000 gallons):	
0 to 18,000 per quarter:	\$2.00
18,001 to 60,000:	\$2.24
Over 60,000:	\$2.54

COMMERCIAL:

WATER:

Tapping Fees per hotel or Inn room:	\$250.00
Tapping Fees up to 1-1/2" meter:	\$500.00
Tapping Fees 2" or 3" meter:	\$1500.00
Tapping Fees for 6" meter:	\$3500.00
Larger meters on case by case basis	

Base quarterly charge:	\$63.00
Consumption charge (per 1000 gallons):	
0 to 22,500 gallons per quarter :	\$2.00
Over 22,500 gallons:	\$2.00

SEWER:

Tapping Fees per hotel or Inn room:	\$250.00
Tapping Fees 4" – 8" sewer pipe:	\$500.00
Base quarterly charge:	\$129.16
Volumetric charge (per 1000 gallons):	
0 to 22,500 gallons per quarter:	\$0.96
Over 22,500 gallons:	\$0.96

IRRIGATION:

Tapping Fees & 3/4 Meter box:	\$500.00
Consumption charge (per 1000 gallons):	
0 to 18,000 per quarter:	\$2.00
18,001 to 60,000:	\$2.24
Over 60,000:	\$2.54

All special conditions (tapping fees, backflow prevention, and system development charge) remain as in original tariff.

EXHIBIT 2

HAIG POINT UTILITY, INC.

Water Rate Base Calculation

	<u>6/30/2004</u>	<u>Pro Forma Adjustment</u>	<u>STIP Complete System</u>
Plant in Service	\$1,731,215	\$1,124,203	\$2,855,418
Accumulated Depreciation	(106,504)	(791,925)	(898,429)
CWIP	1,116,695	(1,116,695)	0
Contributions in Aid of Construction	(353,000)	(982,000)	(1,335,000)
Accum. Amortization of CIAC	<u>18,977</u>	<u>241,232</u>	<u>260,209</u>
Net Plant	2,407,383	(1,525,185)	882,198
Working Capital (1/5th O&M)	60,144	706	60,850
Unamortized Balances	<u>0</u>	<u>22,500</u>	<u>22,500</u>
Rate Base	<u>\$2,467,527</u>	<u>(\$1,501,979)</u>	<u>\$965,548</u>

Sewer Rate Base Calculation

	<u>6/30/2004</u>	<u>Pro Forma Adjustment</u>	<u>STIP Complete System</u>
Plant in Service	\$2,628,049	\$43,650	\$2,671,699
Accumulated Depreciation	(133,578)	(783,754)	(917,332)
CWIP	0	0	0
Contributions in Aid of Construction	(111,000)	(269,000)	(380,000)
Accum. Amortization of CIAC	<u>4,950</u>	<u>65,709</u>	<u>70,659</u>
Net Plant	2,388,421	(943,395)	1,445,026
Working Capital (1/5th O&M)	24,774	583	25,357
Unamortized Balances	<u>0</u>	<u>22,500</u>	<u>22,500</u>
Rate Base	<u>\$2,413,195</u>	<u>(\$920,312)</u>	<u>\$1,492,883</u>

FINAL STIPULATED SETTLEMENT

Schedule B-1
(W&S Combined)

HAIG POINT UTILITY, INC.

Combined Rate Base Calculation

	<u>6/30/2004</u>	<u>Pro Forma Adjustment</u>	<u>STIP Complete System</u>
Plant in Service	\$4,359,264	\$1,167,853	\$5,527,117
Accumulated Depreciation	(240,082)	(1,575,680)	(1,815,762)
CWIP	1,116,695	(1,116,695)	0
Contributions in Aid of Construction	(464,000)	(1,251,000)	(1,715,000)
Accum. Amortization of CIAC	<u>23,927</u>	<u>306,941</u>	<u>330,868</u>
Net Plant	4,795,804	(2,468,580)	2,327,223
Working Capital (1/5th O&M)	84,918	1,289	86,207
Unamortized Balances	<u>0</u>	<u>45,000</u>	<u>45,000</u>
Rate Base	<u><u>\$4,880,722</u></u>	<u><u>(\$2,422,291)</u></u>	<u><u>\$2,458,431</u></u>

HAIG POINT UTILITY, INC.

Schedule C-1(W)

Water Operating Statement

	Year-End 6/30/2004	COMPLETE SYSTEM (STIP)			
		6/30/2004 Proposed Rates	Adjustments	Pro Forma Present Rates	Pro Forma Proposed Rates
Operating Revenue:					
Residential	\$39,651	\$60,271	\$122,152	\$161,803	\$247,677
Commercial	10,023	15,135	528	10,551	15,402
Irrigation	48,749	87,942	57,696	106,445	192,335
Availability Billing	41,068	41,068	(41,068)	0	0
Total Revenues	139,492	204,415	139,308	278,800	455,413
Operating Expense:					
Wages & Benefits	20,055	20,055	127,401	(2,000)	145,456
Repair & Maint	47,990	47,990	30,955	78,945	78,945
Supplies	99	99	152	251	251
Outside Services	22,998	22,998	(12,590)	10,408	10,408
Telephone	2,259	2,259		2,259	2,259
Office Eqpmnt Rental	490	490	1,349	1,839	1,839
Bad Debt	16,874	16,874	(11,298)	5,576	9,106
Power	19,419	19,419	29,826	49,245	49,245
Other Operating Exp	9,209	9,209	(2,466)	6,743	6,743
Total O&M Expense	139,393	139,393	163,329	300,722	304,252
Depreciation	10,357	10,357	21,191	31,548	31,548
Amortization	0	0	10,000	10,000	10,000
Revenue Taxes	0	1,712	2,336	2,336	3,815
Property Taxes	0	0	14	14	14
Payroll Taxes	0	0	11,127	11,127	11,127
State and Federal Income Taxes	(14,799)	7,198	14,799	0	11,800
Total Operating Expenses	134,951	158,661	222,796	355,747	372,556
Net Operating Income	\$4,540	\$45,754		(\$76,948)	\$82,857
Rate Base	\$2,467,527	\$2,467,527		\$965,548	\$965,548
Rate of Return	0.18%	1.85%		-7.97%	8.58%

FINAL STIPULATED SETTLEMENT

Schedule C-1 (S)

HAIG POINT UTILITY, INC.

Sewer Operating Statement

	Year-End 6/30/2004	COMPLETE SYSTEM (STIP)			
		6/30/2004 Proposed Rates	Adjustments	Pro Forma Present Rates	Pro Forma Proposed Rates
Operating Revenue:					
Residential	\$38,495	\$72,310	\$118,056	\$156,551	\$294,786
Commercial	9,202	16,045	499	9,701	17,285
Irrigation	0	0	0	0	0
Availability Billing	41,068	73,009	(41,068)	0	0
Total Revenues	88,765	161,363	77,487	166,252	312,070
Operating Expense:					
Wages & Benefits	57,669	57,669	(14,697)	2,000	44,972
Repair & Maint	31,565	31,565	4,307	44,972	35,872
Sludge Disposal	0	0	0	35,872	0
Supplies	0	0	0	0	0
Outside Services	8,140	8,140	0	8,140	8,140
Telephone	1,411	1,411	0	1,411	1,411
Office Eqpmnt Rental	0	0	0	0	0
Bad Debt	10,738	10,738	(7,413)	3,325	6,241
Power	8,689	8,689	21,539	30,228	30,228
Other Operating Exp	1,236	1,236	(1,315)	(79)	(79)
Total O&M Expense	119,448	119,448	2,421	123,869	126,785
Depreciation	16,791	16,791	35,441	52,232	52,232
Amortization	0	0	10,000	10,000	10,000
Revenue Taxes	0	1,352	1,393	1,393	2,614
Property Taxes	0	0	589	589	589
Payroll Taxes	0	0	3,440	3,440	3,440
State and Federal Income Taxes	24	36,230	(24)	0	12,380
Total Operating Expenses	136,263	173,821	53,260	191,523	208,040
Net Operating Income	(\$47,499)	(\$12,458)		(\$25,272)	\$104,030
Rate Base	\$2,413,195	\$2,413,195		\$1,492,883	\$1,492,883
Rate of Return	-1.97%	-0.52%		-1.69%	6.97%

FINAL STIPULATED SETTLEMENT

HAIG POINT UTILITY, INC.

Schedule C-1 (combined)

Combined Operating Statement

	Year-End 6/30/2004	Ref.	COMPLETE SYSTEM (STIP)			
			6/30/2004 Proposed Rates	Adjustments	Pro Forma Present Rates	Pro Forma Proposed Rates
Operating Revenue:						
Residential	\$78,147		\$132,581	\$240,208	\$318,354	\$542,462
Commercial	19,225		31,179	1,026	20,252	32,686
Irrigation	48,749		87,942	57,696	106,445	192,335
Availability Billing	82,135		114,076	(82,135)	0	0
Total Revenues	228,256		365,777	216,795	445,051	767,484
Operating Expense:						
Wages & Benefits	77,724		77,724	112,704	190,428	190,428
Repair & Maint	79,555		79,555	35,262	114,817	114,817
Sludge Disposal	0		0	0	0	0
Supplies	99		99	152	251	251
Outside Services	31,138		31,138	(12,590)	18,548	18,548
Telephone	3,670		3,670	0	3,670	3,670
Office Eqpmnt Rental	490		490	1,349	1,839	1,839
Bad Debt	27,612		27,612	(18,711)	8,901	15,347
Power	28,108		28,108	51,365	79,473	79,473
Other Operating Exp	10,445		10,445	(3,781)	6,664	6,664
Total O&M Expense	258,841		258,841	165,750	424,591	431,037
Depreciation	27,148		27,148	56,632	83,780	83,780
Amortization	0		0	20,000	20,000	20,000
Revenue Taxes	0		3,064	3,729	3,729	6,429
Property Taxes	0		0	603	603	603
Payroll Taxes	0		0	14,567	14,567	14,567
State and Federal Income Taxes	(14,775)		43,428	14,775	0	24,180
Total Operating Expenses	271,215		332,482	276,056	547,271	580,597
Net Operating Income	(\$42,958)		\$33,296		(\$102,219)	\$186,887
Rate Base	4,880,722		\$4,880,722		2,458,431	\$2,458,431
Rate of Return	-0.88%		0.68%		-4.16%	7.60%

HAIG POINT UTILITY, INC.**Water Capital Structure and Rate of Return**

	<u>Amount</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Debt	\$482,774	50.0%	7.50%	3.75%
Equity	<u>482,774</u>	<u>50.0%</u>	9.65%	<u>4.83%</u>
	<u><u>\$965,548</u></u>	<u><u>100.0%</u></u>		<u><u>8.58%</u></u>

Sewer Capital Structure and Rate of Return

	<u>Amount</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Debt	\$746,515	50.0%	7.50%	3.75%
Equity	<u>746,515</u>	<u>50.0%</u>	6.43%	<u>3.22%</u>
	<u><u>\$1,493,030</u></u>	<u><u>100.0%</u></u>		<u><u>6.97%</u></u>

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2005-34-W/S

SC Public Service
Commission
2005 JUL 20 PM 2:54
RECEIVED

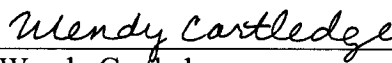
IN RE: Application of Haig Point Utility)
Company, Inc for Approval of an)
Adjustment in Rates and Charges)
For Water and Sewer Services)
_____)

CERTIFICATE OF SERVICE

This is to certify that I, Wendy Cartledge, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **SETTLEMENT AGREEMENT AND JOINT MOTION REQUESTING APPROVAL OF SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

G. Trenholm Walker, Esquire
Laura J. Evans, Esquire
Pratt-Thomas, Epting & Walker, P.A.
Post Office Drawer 22247
Charleston, SC 29413

John F. Beach, Esquire
Ellis, Lawhorne & Sims, P.A.
1501 Main Street, 5th Floor
Columbia, SC 29202



Wendy Cartledge

July 20, 2005
Columbia, South Carolina